Preserve

App. F. IX-4

192

File No. 18-28

Previous References

Genl 133-27 (1-5) (Geol)

Serial Nos. 1-6

Later References

Genl

xg 7-15

Genl 15-29 (1-7)

Genl 116-29 (1-8)

General and Revenue Secretariat.

(32)

Genl 37 30 (1-2)

Serial Nos.

Part B for

SUBJECT

Revision of the rates of royalty on low grade manganese ore

D 5386 of 20.11.28

Director of Geology

Sanction to proposals of the Director of Geology re ——

G. R. S. APP F.III—11 1928/1929

GENERAL AND REVENUE SECRETARIAT.

Govt.

NOTES.

Govt. File No. 18/28

FILE HEADING.

Application from the Superintendent United Steel Co. Ltd Kumorgee. praying for a revision of rates of royalty on low grade manganese ore

FROM

The Supdt United Steel Co. Ltd

No. Applⁿ Dated 16.7.28 Received 20.7.28

Diary No. 651	Enclos.	Spare copies	Serial No

BRIEF ABSTRACT OF LETTER.

Prays that the recent Govt. order of 30/6/28 may be revised with regard to the payment of royalty on low grade Manganese ore.

NOTES AND ORDERS.

Secy's note

) Filed

Hon. Member

(Sd) N. R
20/7/28

(Sd) M.R.K
20/7/28

It may be sent to the Director of

NOTES—First Sheet.

App. F. III—21

General and Revenue Secretariat

File No. 18 of 1928.

Serial No.	
	Geology for his opinion. (sd) N. R 20/7/28
	3) Draft put up. 20/7-28 4) Issue WD 21/7
2	To the Dir of Geol No. D-824 dt 24.7.28 forwards the applⁿ from the Supdt, United Steel Co., Ltd, & calls for opinion
3	From the Dir. of Geol No R. Dis. 1/28-29 dt 13-8-28 ~~forwards his opinion in the matter & states~~ states that it is unnecessary to reduce the rate of royalty fixed. Secy's note. 5) Please put up with the file (sd) N. R 14.8.28
	6) File cents. L S.O. 200. D-137 dt 2-9-4/Genl. 133-27-C dt 30.6.28 on the subject is sent. 20/8/28 Sd/- D) WD 20/8

7) Recision
"The present rates to stand. No Co the power of remonstrance answer"
WD 21/8/28

NOTE—Contn. Sheet.

GEN. & REV. SECRETARIAT
DEVELOPMENT

(651
1370)

App. F. III—2]

General and Revenue Secretariat. Genl File No. 18 of 1928

Serial No.

Urgent

8) Refer: — Paras 7 of Resolution-p.2 Draft sent.
24/8/28 9) Please bring up. WP 25/8

10) Diff for consid". Secy D) WP 1/9/28

11) (1st Member) WP 3/9/28

12) Another representation has been received today from Rep C WP 3/9 3(9/28

13) Please put up WP 4/9/28

WP 4/9

OFFICE OF THE FIRST ... OF COUNCIL 3 SEP. 1928 No. 1490

NOTE—Contn. Sheet.

WD 01714—GPE—30,000—18-4-28

13902
1953

4

App. F. III—2]

General and Revenue Secretariat. Genl File No. 18 of 1928

Serial No. 4

From the Supdt., M. S. Co. Shimoga
Letter dated 1.9.28.
Forwards copy of letter to the Dir. of Geol. in the matter of reduction of duties of ~~ac~~ alg on concessions granted for mn ~~ac~~ (1)
~~enforcement passed~~,
14) Draft ~~co~~ per ~~enforce~~ decision arrived at in the monthly meeting held on 21.8.28 has been filed. To the first number for ~~secy~~ C on 3.9.28
4.9.28.

15) Filed. with reference to paras 12 & 13 of notes.
5/9/28
16) The matter seems to deserve further careful consid. The Company represent, with refe to their actual working cost - that there is no margin at all and that with the flat rate of royalty now in force (which means 4 annas more per ton, on low grade ore), they cannot compete with other ores in the outside market.
17) The Dir's refe to Govt on this subsequent representation of the Company, may be perhaps awaited.
See D)

(1st Member)

7.9.28 18) A. Yes
7.9.28

Since rendered.
D 1390
P. M. B.

FILE PTIE
FIL
6 SEP. 1928
No. 1605
NOTE—Contra Sheet
CEN. SECRETARIAT
DEVELOPMENT BRANCH

WD 01714—GPB—30,000—18-4-28

App. F. III—2]

General and Revenue Secretariat. Geol File No. 18 of 1928.

Serial No. 5

From the Dir of Geol.

No. 3115-2 dt 3.11.28

forwards copy of letter from the Supdt., U.S. Co., Ltd., Shamuga asking for certain concessions as regards the grades of royalty on 30% grade Manganese, and recommends that out of 25,000 tons at the disposal of the Company royalty on 6128 tons now in the stocking yard at Shamuga may be levied at one-sixth portion & on the balance at one-fourth portion

Secy's note.

1) the recommendation may be sanctd. as a special case for 25,000 tons and also a time limit, say one year - may be fixed.

(Sd) N. R
5.11.28

2795/11

member)

2) The Dir's proposal may be
Sd — Special rate, as 4 per ton for 18592 tons, & as 6 per ton for 6128 tons as already agreed
& — No time limit need be imposed. The limit of quantity of 25000 tons will do.

(Sd)
10/11/28

3) Orders
10/11/28
15

NOTE—Contn. Sheet.

WD 01714—GPB—30,000—18-4-28.

General and Revenue Secretariat. Geol File No. 18 of 1928.

Serial No.	
	in accordance with the first Member's minute above is 22) Draft attached. for approval No 1571/28 D.O. 23) for perusal by Hon'ble Member 16/11 24) Issue 22/11/28
6	To the Dir. of Geol No. D. 6386 dt 22.11.28 Conveys sanction of Govt. to the proposal to alter Dir. of Geol in s(15) - viz. to remove 250000 tons of manganese ore by ~~boring~~ trolleys at 06-0 horizon on 6128 tons & at 04 depth on 18872 tons.

GEN. & REV. SECRETARIAT. 24 NOV 1928 DEVELOPMENT BRANCH.

NOTE—Contn. Sheet.

WD 01714—GPB—30,000—18-4-28

Geol 18-28-1

Development Secretary's Office with compliments

20 JULY 1928 No. 468

OFFICE OF THE DEWAN OF MYSORE. Date of Receipt..... Petn. Regr. No. 141

From

W.L.Foster Esq.

Offg.Superintendent

The United Steel Cos,Ltd,

S H I M O G A

To

Amin-ul-Mulk Mirza M. Ismail, B.A.,C.I.E., O.B.E.

Dewan of Mysore.

DEVELOPMENT & REV. SECRETARIAT. 20 JULY 1928 DEVELOPMENT BRANCH. 651

Sir,

ROYALTY ON MANGANESE ORES.

I have the honour to address you regarding Government Order No D.13782.94 - Geol 133-27-4 dated the 30th June 1928 fixing a flat rate of 10 annas royalty on all grades of Manganese Ore, with a request that Government will re-consider their decision for the following reasons. This enhanced royalty, at this period, will seriously affect this Company, and as we are the largest manganese mining company in the State, I trust I am in order in bringing forward the following points for your consideration.

2) Previous to this order, royalty was levied on two grades of ore; viz 44% and above at 12 annas, below 44% at 6 annas

3) Government, in their Order No.I.C.6545 Geol 73-25-4 dated 23rd March, 1926, fixed this rate of royalty after full consulation with the several miners in the State, as the market conditions at that time for the lower grade of mineral were unfavourable, and it was impossible for mining companies to work it with any margin of profit. The higher grade mineral (44% and above) need not be taken into account, as it is practically non-existant in the State, and certainly has not been mined by this company for several years. I think the latter also applies to other license holders in the State.

4) The higher grade manganese, as far as this company is concerned, was only found in the Kumsi Lease Area, and this was all excavated and removed by 1915. I do not therefore consider that the statement made by the Director, Geological Department,

mentioned in para 2 of the Government Order dated 30th June, that, the application of the previous rates of royalty involves analysis and entails delay can be applied to present day conditions.

5) In 1923 when Government wished to raise the royalty on low grade manganese ores to 12 annas per ton, it was proved that the business could not stand this enhanced rate, as margins were so small. At that time the quality of our ore ran from 38 to 42 per cent manganese content, but about 1926,- the grade dropped to 36 - 38 per cent, a very low content indeed, and Government charged royalty at 6 annas a sum which was even then impracticable, as our losses in subsequent years have proved.

6) Since the exhaustion of the original Kumsi Block, no other deposit has shewn a regular quality of ore, and today it is with the greatest difficulty that we can get an average of 36% manganese, and this is only possible by very carefully sorting the ore after it has been mined, during which process sometimes as much as 30 per cent of the mined ore has to be rejected;- a very costly proceeding which sometimes doubles the cost of extraction.

7) Our margins, therefore, for this low grade mineral are practically nil, and we think that with an enhanced royalty in addition, the business cannot exist. The Madras Presidency have a stipulated rate for low grade ores, and this rate has been adopted by the Sandur State, where the large deposits worked by the General Sandur Mining Co exist, and is 4 annas per ton. This rate we consider reasonable, and just about the maximum that t the type of ore now being mined in Mysore, will stand, and yet in Mysore, Government now intend to charge 10 annas per ton on ores removed from all new license areas, the highest royalty which has ever been charged on low grade ores, and with qualities over 10% lower. This lower quality means less margin, and it is essential that all costs coincide; i.e low mining costs, low royalty, concession railway freight to the port, and low sea freight.

This Company is trying to create a market for this low type of ore - the lowest in manganese content we have ever handled but this will be impossible unless some just policy with regard to royalty is fixed. This policy should be guaranteed over a number of years, to enable mining companies to look and make contracts ahead. I might respectfully mention here that my statements with regard to the analysis of the ores being mined by us, have been verified by the Geological Department.

8) Before concluding, there is one other point with regard to our mining costs, which I would like to be considered. Most of the ore mined by this company up to 1926, was obtained from deposits alongside our tram-line, and consequently transport costs could be kept within reasonable limits, but today, it is quite a different proposition. We have now to go further afield for our ore, and our present prospecting licenses are in all cases a considerable distance from the line. Consequently new branch lines have to be laid, and tractor trains have to be employed, before the ore can be brought to rail head, and all this means heavy additional expense.

9) In the early part of this year, when we were informed that Government intended to raise the royalty on new licenses we sent a petition through the Geological Department, requesting that an equitable royalty be charged on these low grade ores a charge compatible with the type of ore being mined. This is essential if the industry is to exist at all.

10) I therefore ask you. Sir, to give this matter your earnest consideration, and trust that Government will revise their latest order with regard to royalty on low grade ores.

I have the honour to be,

Sir,

Your most obedient servant,

16th July 1928

P VI. G1j

6

SUBJECT.....

.....

.....

Section Genl

File No. 18-28

Serial No. 2

No. D 894/Sec

Diary No. of letter replied to..... 6.6

General and Revenue Secretariat

( )

the *192*

To The Dir. of Genl.

Date of issue 24/7/28

Signed by M. V. Chengappa

* To be obliged

ret'd.

Sir

I am directed to forward herewith ×application dt 16.7.28 from the Supdt the Elliot Steel Co. Ltd, Shimoga requesting that ~~the~~ present Govt. order may be revised with regard to ~~the~~ ~~payment~~ the levy of ~~duty~~ cess on low grade manganese ore, and to request Govt to kindly furnish Govt

List of enclosures.....

Copied by .....

Examined by .....

over

opinion on the several
heads specified herein in
the letter of the Company

I have the
honour
Dear Sir
Your

Encl. 18-28-3

M.G.D. 12.]

Dated, Bangalore,

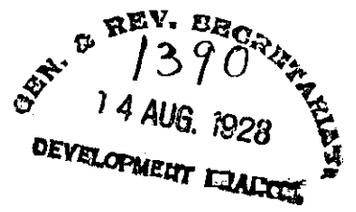
No. R. Dis 1/28-29. 13th August 1928

Encl

Please put up with the file

FROM

P. SAMPAT IYENGAR, Esq., M.A.,
Director, Mysore Geologial Department.



To

N. Rama Rao, Esquire, B.A.,B.L.,
Secretary to the Government of His Highness
the Maharaja of Mysore,
Development Departments.

Sir,

In returning herewith the application, dated 16th July 1928, of the Offg.Superintendent, The Unites Steel Companies Limited, Shimoga, requesting revision of the recent Government order regarding the rate of Royalty payable on Manganese Ores, I have the honour to observe as follows:-

Encl. 133-27-4

2) The origin of the Manganese deposits in the Mysore State as conceived by Dr. Smeeth and myself is given in our Mineral Resources, Bulletin No.7, pages 90 & 91. It will be seen therefrom that the concentration and the formation of the manganese ores, pathhy lenses, bands or veins in Mysore is confined to comparatively shallow depths probably not more than 100 ft.or so in the altered schists. Besides these there are also numerous talus deposits on the slopes or lower ground in which large lumps and nodules of manganese and iron ores are irregularly distributed in ferruginous clay and gravel, more or less within 5 to 20 ft. from the surface. The first mentioned type of deposits generally analyse high being far above 44% Mn. Several thousand tons of 1st grade ore have been raised in Mysore from such deposits averaging 47 to 52 % Mn. The second mentioned type of deposits naturally is of low grade, since it is only float ore (in the nature of mixed pebbles and boulders of iron and manganese ore of all grades). The analysis of such mixed ore ranges from 36 or even less to 40 or 42% Mn.

3) In the beginning for nearly 15 years the United Steel Companies Ltd., worked the Kumsi, Shankargudda and other blocks

alon

along the in situ ore body(1st type) and were therefore able to raise high grade ores ranging from 45 to 52% Mn., but when the ore body petered out in these areas the Company for the past 8 or 10 years are concentrating attention in the removal of the mixed boulders of the 2nd type which therefore are yielding low grade bres analysing less than 40% Mn., as stated in their application.

(5) 4) To say that higher grade mineral 44% and above is practically non-existent in the State is not correct. It may be that the Company are not winning such ores for reasons mentioned above. But when new areas in the vicinity are prospected carefully for in situ ore, there is every chance of meeting ~~the 1st type~~. The other manganese lessees and licensees are raising such high grade ores even now along with the low grades in their respective blocks — only the output is small, since they are not conducting mining operations on a large scale. On this score we cannot jump into the conclusion that high grade ore is nonexistent in Mysore or for the matter of it in the Kumsi Shankargudda areas.

5) Recognising such facts, it was, that the Government imposed two grades of Royalty-Rs.1-4-0 and Rs.0-12-0 with 25% profits (G.O.dated 4th October 24) and not 0-12-0 and 0-6-0 as mentioned in para 2 of the application.

6) When the Government passed the order,dated 23rd March 1926 it was a concession for low grade ores and that too temporarily for 2 years - the rate being reduced from 12 annas to 6 annas and the 25% share of the profits still holding good. For some reasons Government thought fit to exempt the United Steel Companies Ltd., from the operations of the 25% profit sharing scheme. Otherwise they too should have paid Royalty in a similar manner like the others for all the Manganese won from the licensed areas granted to them.

7) The temporary period of 2 years having expired on 1st April 1928, the old rates of Rs-1-4-0 on high grade and 0-12-0 on low grade with the 25% share of the profits would have come into operation. These rates were considered by me to be excessive, since the present ruling prices for Manganese Ores are low. Hence

I suggested a revision of Royalty rates to obviate not only analyses difficulties but also to give a relief to one and all.

(6) The present sanctioned rate of 10 annas per ton of Manganese Ores* of all grades is, I consider, quite reasonable, being neither high nor low.

(7) 6) After all, this rate of 10 annas now sanctioned by Government will be in force for a period of two years; and if found to operate hard it can be revised afterwards.

7) Further, I wish to point out that the licensees who merely win the ore to sell are likely to feel this Royalty payment as a burden, if at all, and not those who win the ore for consumption in their own factories - the middlemen and others' profits not being in the way. As such I am of opinion that the United Steel Companies Ltd., stands to gain rather than to lose by this revised rate of

(8) Royalty; and in the event of their sighting good in situ ore of the 1st type mentioned above, which I feel confident they will come across while prospecting neighbouring areas; they will realize the benefit of paying only 10 annas for the high grade ore as well.

(9) 10) The rates of Royalty on Manganese and other ores differ in different parts of India according to the peculiar conditions of the locality, situation of the deposits, working costs involved &c. It is not merely the market value of the ore for the time being that is taken into consideration. As such the rates adopted in the Madras Presidency or at Sandur need not necessarily be followed in Mysore. In fixing Royalties on previous occasions such outside considerations do not seem to have influenced our decisions and therefore in this instance also it is unnecessary to take count of all these.

11) As regards the statement in Para 8 of the application, it is true additional expense have to be incurred to bring the ore to

(10) the railhead, but as I have pointed above the prospecting of new areas is likely to yield in situ high grade ore deposits of the

---

* This is not the highest Royalty ever charged on low grade ores. We had 12 annas and more.

9

1st type which will enable the Company to meet incidental expenses

17) For these reasons I am of opinion that it is unnecessary t present to reduce the Royalty rate of 10 annas now fixed for all grades of ore.

I have the honour to be,
Sir,
Your most obedient servant,

V. Sampat Iyengar

Director,
Mysore Geological Department.

C.N.

not issued 28 10

To

The Superintendent,

The United Steel Co., Ltd.,

Shimoga.

S i r,

With reference to your application dated 16th July 1928 requesting for reasons stated that Government might reconsider their decision in the matter of the rates of royalty on Manganese Ores as fixed in G.O. dated 30th July 1928 I am directed to state as follows:

It is not altogether correct to state that ~~there is no~~ is non-existent either high grade ore in the Kumsi, Shankargudda area or in the rest of the State. Before the issue of the G.O. dated 23rd March 1926, the rates of royalty were Rs. 1-4-0 per ton and 0-12-0 per ton for high and lower grades respectively, in addition to 25 per cent profits. As the market for lower grade ores had temporarily gone down, Government reduced the rate of royalty on such ore from Rs.0-12-0 to 0-6-0 per ton, only for a period of two years. Under the recent orders, the scheme of profit sharing has been abolished, and a flat rate of royalty of Re. 0-10-0 per ton on all grades of Manganese Ore has been fixed, to give relief to the mining ~~public~~ industry and to encourage mining enterprise. Government ~~have reason to believe~~ consider that ~~on the information available~~ the rate fixed is therefore quite ~~very~~ reasonable. In any case, even these rates have been ordered to be in force temporarily for a period of two years.

0-10-0

There is nothing to prevent Government from re-examining the position after the expiry of this period and revising the rates again, should such a step be found necessary at the time ~~circumstances then should warrant such a step.~~

In the present circumstances, I am to state that Government regret that they do not see their way to reconsider the orders already passed ~~in the matter.~~

I have etc.,

WA 3/2/29

WA 1/9

Secretary to Government,
Development Departments.

Copy to the Director of Geology with reference to his letter No.R.Dis. 1/28-29 dated 13th August 1928.

WA 1/9

Secl-18-28-4

OFFICE OF THE FIRST MEMBER OF COUNCIL
3 SEP. 1928
No. M.87

From

W.L.Foster.Esq.,

Offg.Superintendent.

The United Steel Cos,Ltd.,

Shimoga.

To

Rajakarya Prasakta Diwan Bahdr.M.N.Krishna Rao.,B.A.,

1st Member of Council, Government of Mysore,

Bangalore.

GEN. & REV. SECRETARIAT.
1953
4 SEP. 1928
DEVELOPMENT BRANCH.

Sir,

ROYALTY ON MANGANESE ORES.

I have the honour to now forward for your consideration, copy of my letter to the Director, Mysore Geological Department, on the question of royalty, in which I have supported my statements with actual figures as you suggested during our discussion on the 22nd of last month. I also enclose copy of a letter I have received from my home principals, which shews how serious the matter has become, and I hope that Government will now grant us some concession, and make further reduction in the royalty fees.

I have the honour to be,

Sir,

Your most obedient servant,

Shimoga.

September 1st 1928.

Copy. 18

From

W.L Foster.Esq.,

Offg.Superintendent,

The United Steel Cos.,Ltd.,

SHIMOGA.

To

P.Sampat Iyengar.Esq.,M.A.,

Director, Mysore Geological Department,

BANGALORE.

Sir,

ROYALTY ON MANGANESE ORES.

I have the honour to write you at the suggestion of the 1st Member of Council, Rajakarya Prasakta Diwan Bahdr.H.N.Krishna Rao, [illegible],B.A, regarding the latest order of Government raising the royalty on manganese ores to 10 annas per ton, a rate which we consider exhorbitant, and one which the mineral cannot stand.

2) I have been asked by the 1st Member of Council to place the facts of our case before you and these I think will convince you that if this extra tax is imposed at this period, with the condition of the market for this low grade mineral as it is today, our business here will undoubtedly be crippled. Our competitors are selling their ore at 7½ pence per unit,c.i.f Marmugao, and if we are to get into the market at all, we must be able to do the same.

3) My home principals are at present trying to sell at this figure, in order to get funds to enable us to carry on in the hope that the market will eventually become more favourable. This will mean a heavy loss to them as 7½ pence per unit is considerably below our cost figure. I enclose for your information copy of a letter from our home office which sums up the present situation, and from which you will realise how serious the matter has become. At this end we have reduced our overhead costs whereever possible but have not been able to keep our cost c.i.f Goa, at anything like the figure mentioned above. On 36% ore, 7½ pence per unit means

22s/6d per ton, or approximately Rs15/- at the present rate of exchange. I attach a statement which gives you an idea of our present costs over the past few months, and from this you will realise that there is no margin at all, in fact our costs have far exceeded the market selling prices. In the second part of the statement, I have shown our costs against the 22s/6d,c.i.f price. Here I have shown the mining cost at Rs3/-, a figure we hope to get down to soon, though this entirely depends on the nature of the deposits. If we could increase our tonnage, costs would naturally be lower, but as you are aware, the ore beds in allthe areas we are now working are not regular. In most cases these beds consist of small runs sometimes as much as three to four hundred yards apart, and this means a lot of dead work; also heavy expenses are incurred on development work. The transport and collection of the mined ore also becomes difficult and more expensive, as light lines have to be laid in order to get the ore to a site suitable for either loading to the trains, or to the tractor trains.

4) We are also now going to try to get ores down to a 33% manganese content away, and for this purpose we have already erected two cinter furnaces. You will realise though, that this will mean additional expense above actual mining cost, and it is certain that if Government insist on this enhanced rate of royalty, this work must cease and this type of ore will simply be rejected and left on the mining blocks, as a result Government will lose a large amount of revenue as royalty. If an equitable royalty is fixed, it is certain that a larger tonnage will be removed, and a larger royalty paid to Government.

5) Referring to the attached statement you will notice that our fixed costs, together with Rs3/- for mining, amounts to Rs12/5/-, and if we are to get the ore to the port at a cost within Rs15/-, we have a balance of Rs2/11/- for the following departmental expenses:- Supervision, Office, Laboratory, Train staffs, Fitting and Machine Shops, Railway gangs and maintenance Telephone Clerks, Gatemen, Traction engine costs and repairs,

13

Shunting engine upkeep, Medical Department, cooly labour for loading and unloading etc, Repairs to and spare parts for locomotives, rolling stock, Inland Lines and all sundry expenses usually incurred in running a business such as this. Our departmental staff has been reduced to minimum and in several departments is even now inadequate.

6) Our Railway Maintenance labour costs (gangs, telephone clerks, gatemen etc) work out to approximately 8 annas per ton, based on an output of 78 tons per day (two train loads), and during four or five months of the year we cannot always keep two trains running as you will see from the quartely returns sent in. The train costs, i.e. fuel, oil, labour etc run to Re1/- per ton, so there is only the small margin of Re1/3/- left for the upkeep of the remainder of the departments enumerated above.

7) I do not think there is any necessity for me to go further into our cost figures to make you realise how seriously this extra tax of four annas at this period will affect us, and I hope you will urge Government to re-consider their decision and fix royalty on an equitable basis, guaranteed over several years at least. This Company has £200,000 capital sunk in the State and hopes that Government will take this fact into consideration and give some concession now in order to keep the business going. Unless we can reduce our costs we must surely close down, and we hope Government will realise this and help us.

8) I enclose copy of my letter to the Dewan on this subject.

I have the honour to be,

Sir,

Your obedient servant,

August 31st 1928.

W. H. Smith
S.

1.

Monthly Costs per ton from November 1927.

	Tonnage trammed to Shimoga	Cost per ton Shimoga.			Cost with railway freight, Royalty, Agency		
		Rs	a	p	Rs	a	p
Oct 27.	2193	9 -	7 -	1.	18 -	9 -	1.
Nov	1793	9	3	4	18	5	4.
Dec	2375	8	10	8	17	12	8.
Jan 28.	2589	8	3	5	17	5	5.
Feb	2330	10	4	6	19	6	6.
Mar	2444	8	8	8	17	10	8.
April	1903	8	10	1	17	12	1.
May	2235	8	7	6	17	9	6.
June	1427	13	1	1	22	3	1.
July	1375	12	1	1	21	3	1.

2.

Costs per ton against a c.i.f. price of 7½ d per unit, on ore with a 36% manganese content. (Rs15 per ton.)

Railway freight, Shimoga to the Port		Rs 7 - 13 - 0.
Royalty		10 - 0.
Loading etc at the port		6 - 0.
Agency		4 - 0.
Truck tax, Toll Duty @ Shimoga		3 - 0.
Ground rent and sundry expenses at the port		1 - 0.
		9 - 5 -0.
Mining Cost at mines		3 - 0 -0.
Train running cost and railway gang wages etc		1 - 8 -0.
		13 - 13 -0.
Balance left for the undermentioned departmental costs and expenses		1 3 0.
		Rs 15 0 0.

Therefore in order to keep our costs within the c.i.f figure, we have Rs1/3/- as margin for all Railway repairs and replacements, Locomotive and Rolling Stock repairs , replacements etc, Supervision, Office, Laboratory, Departmental labour for loading and unloading at Shimoga, Stores, Fitting, Moulding and other shop wages, Medical Department, and sundry other expenses such as Rent on lands, Interest, Taxes etc.

THE UNITED STEEL COMPANIES, LTD.

Continued page No——————

£3 1 7 192

COPY.

LONDON, S.W.1.

30th June 1928.

The Superintendent,
The United Steel Companies Ltd.,
Workington Iron & Steel Branch,
S H I M O G A.

Dear Sir,

With regard to the cost items we recently sent you we await to hear what you can suggest in order to make still further reductions in the inclusive cost of this ore at Mormugao. In our opinion it is the Local Costs upon which you should concentrate, as itt is really the cost at Shimoga upon which our chances to compete in the market are governed.

For your guidance we wish emphatically to point out that the Low Grade Manganese market here at the moment is ~~as dead as~~ it possibly could be as far ass prompt sales are concerned; we seem to be beaten on costs all the time, in fact The Sandur Company now sell their ore here at 7½d per unit, and although we have gone as low as this figure, (although our cost is well above this price), nothing as yet has transpired.

It therefore behoves you to leave nothing undone that would have a tendency to lower Mining and General Costs, if we are to retain any hold at all on the market here. If you cannot get a lower cost, it will mean that more than possibly we may have to ask you to reduce your staff and curtail your mining energies, at any rate for the time being.

We await to hear from you at your earliest,

Yours faithfully,

Sd A.F. Clinton

Copy.

From,
W.L.Foster Esq.,
Offg. Superintendent,
The United Steel Cos., Ltd.,
Shimoga.

To
Amin-ul-Mulk Mirza M. Ismail, B.A.,C.I.E., O.B.E.,
Dewan of Mysore.

Sir,

ROYALTY ON MANGANESE ORES.

I have the honour to address you regarding Government Order No. D.13782-94 - Geol.133-27-4 dated the 30th June 1926, fixing a flat rate of 10 annas royalty on all grades of Manganese ore, with a request that Government will re-consider their decision for the following reasons. This enhanced royalty, at this period, will seriously affect this Company, and as we are the largest manganese mining Company in the State, I trust I am in order in bringing forward the following points for your consideration.

Previous to this order, royalty was levied on two grade of ore; viz: 44% and above at 12 annas, below 44% at 6 annas.

Government, in their Order No.I.C.6545 Geol.73-25-4 dated 23rd March,1926, fixed this rate of royalty after full consultation with the several miners in the State, as the market conditions at that time for the lower grade of mineral were unfavourable, and it was impossible for mining companies to work it with any margin of profit. The higher grade mineral (44% and above) need not be taken into account, as it is practically non-existant in the State, and certainly has not been mined by this Company for several years. I think the latter also applies to other license holders in the State.

The higher grade manganese, as far as this Company is concerned, was only found in the Kumsi Lease Area, and this was all excavated and removed by 1925. I do not therefore consid

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that the statement made by the Director, Geological Department, mentioned in para 2 of the Government Order dated 30th June, that the application of the previous rates of royalty involves analysis and entails delay, can be applied to present day conditions.

In 1923 when Government wished to raise the royalty on low grade manganese ores to 12 annas per ton, it was proved that the business could not ~~be~~ stand this enhanced rate, as margins were so small. At that time the quality of our ore ran from 38 to42 percent manganese content, but about 1926, the grade dropped to 36-38 percent, a very low content indeed, and Government charged royalty at 6 annas, a sum which was even then impracticable, as our losses in subsequent years have proved.

Since the exhaustion of the original Kumsi Block, no other deposit has shewn a regular quality of ore, and today it is with the greatest difficulty that we can get an average of 36% manganese, and this only possible by very carefully sorting the ore after it has been mined, during which process sometimes as much as 30 percent of the mined ore has to be rejected;- a very costly proceeding which sometimes doubles the cost of extraction.

Our margins, therefore, for this low grade mineral are practically nil, and we think that with an enhanced royalty in addition, the business cannot exist. The Madras Presidency have a stipulated rate for low grade ores, and this rate has been adopted by the Sandur State, where the large deposits worked by the General Sandur Mining Co., exist, and is 4 annas per ton. This rate we consider reasonable, and just about the maximum that the type of ore now being mined in Mysore, will stand, and yet in Mysore, Government now intend to charge 10 annas per ton on ores removed from all

new license areas, the highest royalty which has ever been charged on low grade ores, and with qualities over 10% lower. This lower quality means less margin, and it is essential that all costs coincide; i.e. low mining costs, low royalty, concession railway freight ~~freight~~ to the port, and low sea freight.

This Company is trying to create a market for this low type of ore - the lowest in manganese content ~~content~~ we have ever handled, but this will be impossible unless some just policy with regard to royalty is fixed. This policy should be guaranteed over a number of years, to enable mining companies to look and make contracts ahead. I might respectfully mention here that my statements with regard to the analysis of the ores being mined by us, have been verified by the Geological Department.

Before concluding, there is one other point with regard to our mining costs, which I would like to be considered. Most of the ore mined by this company up to 1926, was obtained from deposits alongside our tram-line, and consequently transport costs could be kept within reasonable limits, but today, it is quite a different proposition. We have now to go further afield for our ore, and our present prospecting licenses are in all cases a considerable distance from the line. Consequently new branch lines have to be laid, and ~~xxx~~ tractor trains have to be employed, before the ore can be brought to Rail head, and all this means heavy additional expense.

In the early part of this year, when we were informed that Government intended to raise the royalty on new licenses, we sent a petition through the Geological Department, requesting that an equitable royalty be charged on these low grade ores, a charge compatible with the type of ore being mined. This is essential if the industry is to exist at all.

I therefore ask you, Sir, to give this matter your earnest consideration, and trust that Government will revise their latest order with regard to royalty on low grade ores.

I have the honour to be,

Sir,

Your most obedient servant,

Sd/ W.L.Foster,

Dated16th July'28. Offg. Superintendent.

COPY.

M.G.D. 12.]

No. 3115-2
Rec. 1.

Geol. 18-28-5 — 22 / 131

Dated, Bangalore 3rd Nov. 1928

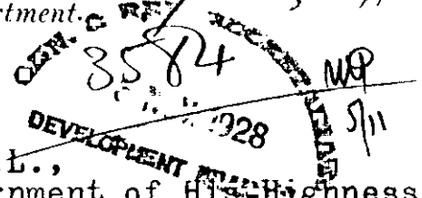
The recommendation 9-11 as a special case for 25000 tons + also a time limit - say one year - may be fixed

5-11-28

FROM

P. SAMPAT IYENGAR, ESQ,. M.A.,
Director, Mysore Geological Department.

1st Received



To

N. Rama Rao, Esquire, B.A.,B.L.,
Secretary to the Government of His Highness
the Maharaja of Mysore,
Development Departments.

SIR,

I have the honour to forward herewith a copy of letter, 22/10/28 from Mr.W.L.Foster, Offg. Superintendent, The United Steel Companies Ltd.,Shimoga, asking concession rates of royalty at 3 annas per ton on 30% grade Manganese Ore for which at present there is no demand. It is true the Manganese market is dull for the time being. The prices quoted for delivery at the United Kingdom or at any Continental Port for Manganese Ore - 48—50 % Mn grade is 14½ to 15 d. per unit and hence for inferior grades the prices must certainly be far low. As matters stand it will not pay to mine even the 40 % grade ore; much less the 30 % ore. Being themselves the consumers it may be possible for the United Steel Cos.Ltd., not to lose on such a venture if concessions are shown in Royalty rates, Railway freight charges and the like.

In order to encourage the industry and to obtain a market for the low grade ores I am for considering their request favourably - only instead of 3 annas per ton the Royalty may be fixed at 4 annas per ton on all grades of ore 30 % and below, as a special case. Permission may be granted to remove only 25000 tons of this grade ore-consisting of 6128 tons now in the stacking yard (Shimoga for which Royalty has not been paid) and the balance of 18872 tons which will have to be mined from the blocks. For the former lot of 6128 tons the Company have agreed to pay Royalty at 6 annas per ton during removal. This has to

be

be enforced; and for the latter quantity the special concession rate of 4 annas per ton mentioned above may be made applicable.

These are my recommendations and I request Government to pass early favourable orders on the subject.

I have the honour to be,
Sir,
Your most obedient servant,

Director,
Mysore Geological Department.

C.N.

Letter Dated, 22nd October 1928, from Mr.W.L.Foster,Offg. Superintendent, The United Steel Cos.Ld. Shimoga, to the Director, Mysore Geological Department.

Royalty on Low Grade Manganese Ores.

I have the honour to inform you that my home principals are considering the possibility of clearing out about 25000 tons of 30% third grade manganese ore, and I have been asked to approach you regarding the royalty which will be charged by Government on this class of mineral. It must be realised that if a market for this materializes, the selling price will be very low indeed and we are of the opinion that a royalty charge of three annas per ton will be absolutely the maximum that the ore will stand.

We are looking to Government to assist us in this matter, for not only will it give an extra revenue to Government; a revenue they will not get unless the royalty charge is equitable, as mentioned above, but it will enable us to get rid of thousands of tons of ore, as yet unmined, and we have no doubt that if once a market is established, further contracts will follow, thereby providing a new source of revenue to Government.

Before any thing can be done in the matter, it is imperative that all costs are reduced as far as this class of mineral is concerned, and with this in view we are also approaching both the railway authorities and our agents for reduced charges.

I shall be glad to have an early reply as the matter is urgent, and my home principals cannot move untill this information is with them.

Copy.

Director,
Mysore Geological Department.

C.N.

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Appendix F G–1

SUBJECT.....

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Section Geol

File No. 18-28

Diary No. of letter replied to 35-84

No. D. 5-386

General and Revenue Secretariat

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the 192

To the Dir. of Geol

Date of issue 24/4/28

Signed by Dwr M-G. Travellers

Sir.

With reference to your letter no. 3115-24 3rd dt. 28, I am directed to convey sanction of Govt. to permit the M. S. Companies, Ltd. Shimoga to remove only 25,000 tons of ~~manganese~~ low grade manganese ore - 30% & below - consisting of 6128 tons now lying in the stacking yard at Shimoga and the balance 18872 tons to be mined from the blocks on payment of a special rate of royalty

P.T.O. over

List of enclosures.....

Copied by.....

Examined by.....

cos
at 0-4-0 per ton for 1887 2 tons

-6-0 per ton for 6128 tons

cos agreed to Leyton Co.

9 hours

11h 16m

Forder Long

S. 82.

15/11

22/11/28